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*Lincoln Room*

Americans must Control their own Markets and their own Wages.

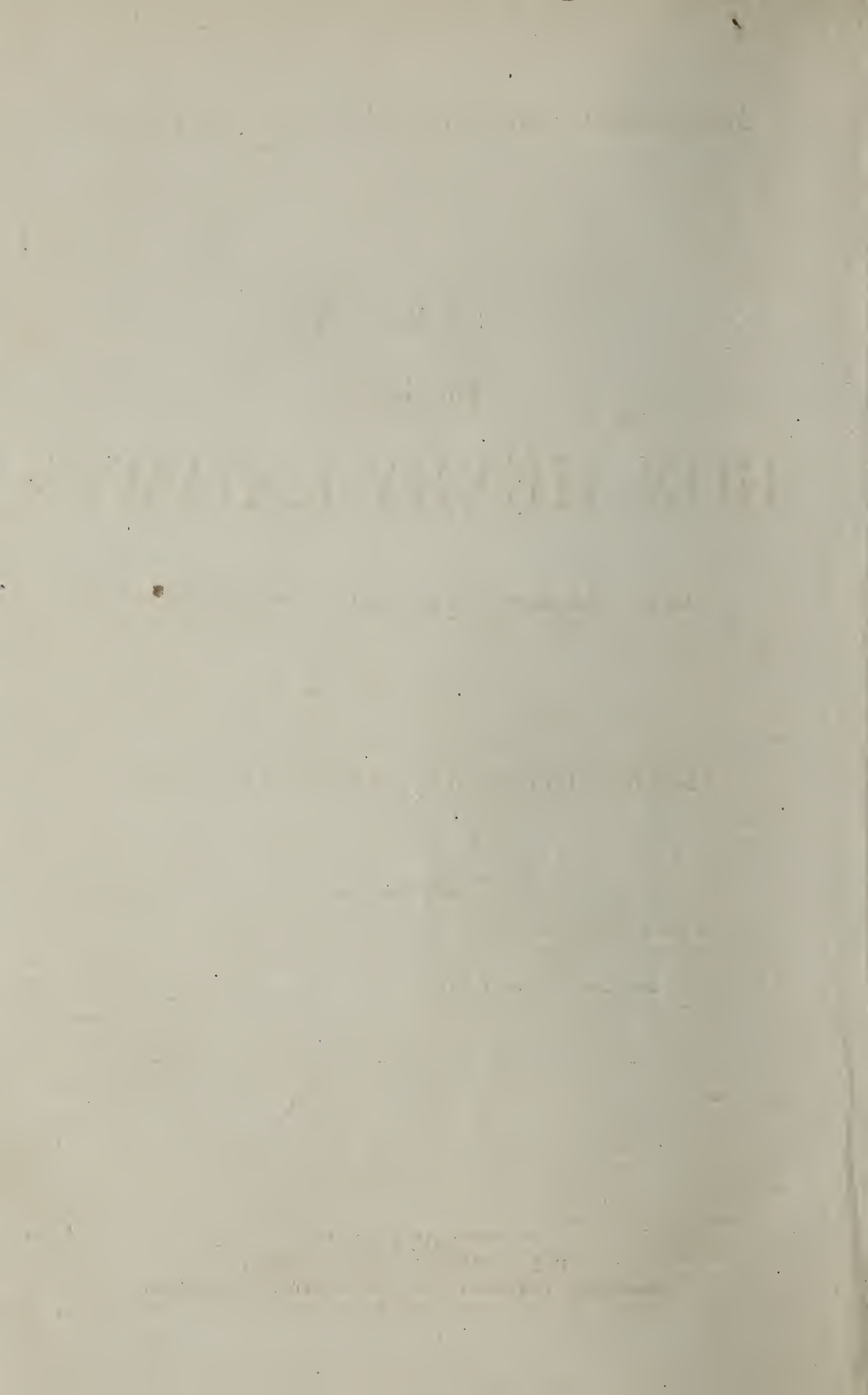
SPEECH  
OF  
HON. HENRY L. DAWES,  
OF MASSACHUSETTS,

DELIVERED  
IN THE HOUSE OF REPRESENTATIVES,

MAY 3, 1872.

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WASHINGTON:  
F. & J. RIVES & GEO. A. BAILEY,  
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1872.



## The Tariff.

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The House having under consideration the bill (H. R. No. 2322) to reduce duties on imports and to reduce internal taxes, and for other purposes—

Mr. DAWES said:

Mr. CHAIRMAN: I must in the outset invoke the patience of the Committee of the Whole, for, in rising to close an exhausting and an exhausted debate upon a subject itself intrinsically dry and uninteresting I find that I have been unable, in the preparation of all that I might desire to say, to bring myself within even the compass prescribed by the rule.

Among the many problems which confronted this Administration on coming into power demanding a solution none was more formidable than that in which the finances of the nation had been involved by the war. A national debt of \$2,700,000,000 had been suffered to hang over the nation for nearly four years since the close of the war, with only \$13,655,668 of principal paid during all that time. An annual interest account of \$128,502,102 24, and an additional current expenditure averaging during that time \$179,271,680, made a yearly draft upon the Treasury of \$307,773,782 24, to be met by internal taxes and customs duties. Taxes annually collected off the industries of the country and the direct earnings of the people had, during those years of peace, averaged \$162,194,491,29; and the customs revenues had, during the same period, reached a like average of \$193,691,069 70. Legal-tender notes, a necessity of the war, outliving the purpose of their creation, had supplanted the constitutional currency of the nation, inflating prices, swelling and disturbing the currents of trade, and overturning all ordinary modes of living and pursuit. The medium of exchange in which this

great people were left to transact all their vast business concerns was permitted according to the standard by which the rest of the world measured values to sink sometimes as low as thirty-five hundredths, and never to rise higher than seventy-one hundredths.

There had been no attempt to grapple with any of the many and difficult questions this condition of things involved. The nation was without a policy in respect to the public debt. Whether it should be transmitted to posterity for liquidation, or, like the British debt, be suffered to fasten itself upon the future of the nation, in either case rolling its ever recurring burden of interest into the yearly budget, or whether it should be manfully met by the generation that incurred it with the same unflinching courage through which it came, had hardly been debated. Whether the evils of a debased and debasing currency were to become permanent or pass away had not been determined, nor whether extravagant expenditures and large interest accounts should continue to demand, and the people be required hereafter to bear, the burdensome exactions of internal taxes and exorbitant rates of customs duties which the war had required, and up to that time the nation had found no way to shake off or lighten.

This was the financial problem inherited by this Administration only three years ago. In boldly meeting its responsibilities and working out its solution \$300,000,000 of the public debt has been extinguished, on May 1, \$327,719,819 29; and nearly as much more refunded at five and four and a half per cent., saving annually between two and three million dollars of interest, and ultimately \$20,000,000, besides making possible the funding of \$1,000,000,000 more at a still lower rate



and larger saving. The premium upon gold has been reduced from thirty-nine to ten, while internal taxes have been reduced from \$310,906,984 17 to \$132,011,176 24, and customs duties diminished \$30,000,000.

While applying annually from the current receipts of the Government \$100,000,000 to the extinguishment of the public debt, economy in expenditures and fidelity in collection have enabled the Government within the last two years to relieve the business pursuits of the nation from internal taxes to the amount annually of \$55,000,000, and to repeal customs duties amounting each year to \$30,000,000, and at the same time to meet every demand on the Treasury and still retain an abundant balance for any unlooked for emergency. But so wise had been the policy under which these immense sums had been annually collected to meet the unexampled demands consequent upon the war, and so little had taxation, properly adjusted, crippled energy or stifled development, that, spite of reductions in taxes and custom duties, amounting in the aggregate to \$85,000,000, the Treasury found its receipts in the very next year greater than ever; and the President in his last annual message called the attention of Congress to this gratifying condition of the Treasury, and the opportunity it afforded for a further reduction of burdens without impairing the credit or crippling the business of the country, and at the same time maintaining the fixed policy of his administration—that of the ultimate and early extinction of the public debt. He says, with unquestioned wisdom:

“I recommend that all taxes from internal sources be abolished, except those collected from spirituous, vinous, and malt liquors, tobacco in its various forms, and from stamps.

“In readjusting the tariff I suggest that a careful estimate be made of the amount of surplus revenue collected under the present laws, after providing for the current expenses of the Government, the interest account, and a sinking fund, and that this surplus be reduced in such a manner as to afford the greatest relief to the greatest number.”

The Secretary of the Treasury, with the data at his command, presents in his last annual report the same considerations more fully and elaborately, pointing to the fact that, notwithstanding the great repeal of taxes and duties by the last Congress, the estimates disclose a surplus of receipts over expenditures, after payment of the interest on the public debt, of \$85,974,226 01, from which the sinking fund requires \$28,679,263, leaving undisposed of \$57,294,963. He said:

“The revenues for the year 1871, and the receipts since the 1st of July last, show that the time has arrived when a considerable further reduction in taxes can be made, and yet leave the Government in a

position to pay at least \$50,000,000 annually of the principal of the public debt, including the amount pledged through the sinking fund. In my annual report to Congress for 1870, I expressed the opinion that the settled policy of the country should contemplate a revenue sufficient to meet the ordinary expenses of the Government, pay the interest on the public debt, and from twenty-five to fifty million dollars of the principal annually.”

And recurring to the subject again, he says:

“In the suggestions I have the honor to make in reference to the reduction of taxes, I keep in view two important facts: first, that the ability of the nation to pay at least fifty millions annually of the principal of the public debt shall not be impaired; and, secondly, that in the change of the revenue system no violence shall be done to the business interests of the country. While I do not undertake to state precisely the causes which have contributed to the public prosperity, there is no substantial reason for questioning the truth of the statement that the last few years have been the most prosperous in the history of the country; years without example in our own affairs, and without parallel in the affairs of any other Government.

“It is practicable to dispense with all revenue from internal sources except that derived from stamps, spirits, tobacco, and malt liquors.”

The actual receipts thus far of the present fiscal year, now more than nine months elapsed, being \$280,724,754 49, show that the cautious estimate of the Secretary of the Treasury will fall far short of the fact, and that, at existing rates of receipt, if there be no change in the tax or tariff laws, there will be more than \$100,000,000 instead of \$86,000,000 in the coming year beyond current expenses at the disposal of the Treasury.

The CHAIRMAN. The gentleman from Massachusetts [Mr. DAWES] will please suspend until order is restored in the Hall.

Several MEMBERS. Will the Chair state what has caused this commotion in the House?

The CHAIRMAN. The information is that Horace Greeley has been nominated at Cincinnati. [Laughter.]

Mr. HOAR. Is it in order to congratulate the House on this great triumph of the principles of protection?

Mr. RANDALL. He is an honest man, anyhow.

The CHAIRMAN. Gentlemen will please resume their seats and suspend conversation. The Chair must request gentlemen in the rear of the seats to desist from conversation, or retire to the cloak-rooms.

Mr. DAWES. After the announcement that has been made I do not know that there is any occasion for me to further advocate the principle of protection to American industry, now that he who more than any other living man has taught that doctrine is to be the stand



ard bearer of those who have hitherto opposed it.

For the first nine months of the present fiscal year there has been received and covered into the Treasury up to this time \$280,724,754 49, and it is fair to estimate the balance yet to come in for this same period of nine months at \$5,000,000 more—

Making .....	\$285,724,754 49
The remainder of year at same rate.....	95,241,584 83
<b>Total receipts.....</b>	<b>380,966,339 32</b>
<b>Expenditures as per estimate.....</b>	<b>273,025,773 99</b>
<b>Surplus in Treasury.....</b>	<b>107,940,565 33</b>
The sinking fund requires...\$28,679,263	
Proposed payment on public debt.....	25,000,000
	<u>53,679,263 00</u>
<b>Leaving for reduction of taxes and duties.....</b>	<b>\$54,261,302 33</b>

I have assumed a payment of \$25,000,000 on the principal of the public debt beyond the payment into the sinking fund required by law. I do not think an Administration which has signalized its first three years by an annual payment of \$100,000,000 of the public debt and received the unmistakable commendation of the American people and the whole financial world therefor, can afford in its last year to voluntarily put it beyond its power to pay at least \$25,000,000 of it.

I shall assume, therefore, that at least that sum shall be provided for. There will then be left, taking the actual receipts of the last nine months as the basis, \$54,261,302 33 for a reduction in the revenue by a repeal of internal taxes and customs duties. And the question arises at the threshold of the discussion, how shall this reduction be applied? By the action of Congress, since this debate commenced, the duties upon tea and coffee have been repealed, diminishing the revenue \$15,893,846 67, and leaving for further reduction \$38,367,455 66. If all internal taxes except those upon spirituous and fermented liquors and tobacco should be repealed it would cause a further reduction of about twenty-three million dollars, and would leave \$15,367,455 66 to be divided between an enlarged free list of articles which enter as raw material into production and are consumed, but not themselves produced in this country, and a general reduction of duties still retained.

It is to the reasons for such an application of the reductions now in our power to make, that I ask the attention of the House at this time. They are found in the lessons of the past. If you will patiently turn with me to its review they cannot fail to be recognized.

The courage with which the problem of financial complications and burdens to which I have already called attention was approached, and the persistency with which the struggle has been maintained, have wrought out

the solution. The credit of the Republic is established among the nations of the earth. Capitalists at home and abroad are eager to take our bonds at a reduced rate of interest. Our debt is being paid more rapidly than any nation before us or beside us has ever met its obligations, and the interest account is daily diminishing. If our faith falters not this generation shall not pass away before the last trace of the gigantic burdens of the war shall have faded from sight.

The key to this solution, the grand central idea of the policy which has wrought out this result, has been the maintenance of the material prosperity of the nation. That collapse in the business efforts of the people, that paralyzation of the industries of the land, that fainting after years of unnatural excitement, and that ebb following flood, which have heretofore, and with all other peoples, been the certain attendants of transition from the unnatural state of protracted war to the normal conditions of peace, never came to this nation. All business pursuits, enterprises, and investments, prosperous during the war to an unexampled degree, have suffered no check either in growth, development, or remunerative return. The nation has laid more railroads, tunneled more mountains, and spanned more rivers in bringing its people and their pursuits and products to each other's door than ever before. Labor has been better paid, has better understood itself and its relations to capital than ever before, and has achieved an independence in position, in home and its comforts, in physical and mental life never before attained.

Ten years ago the yearly immigration to this country in search of a better home was only 69,449. In 1860 it amounted to 129,715. Now it exceeds 321,350, and the demand for laborers exceeds the supply. In 1860 the census returned the true value of real and personal property in this Union exclusive of slaves to be \$13,000,000,000; that of 1870 returns that true value to be \$30,000,000,000. Making all allowances for inaccuracies and for currency inflation, still it is a greater increase in ten years, by more than thirty per cent., than all the increase of all the previous years of the history of the nation.

Had the nation forgotten, in the levying of taxes and imposing burdens to meet the exigencies of war, that internal strength was the source of power, or, following false theories, had lost sight of home production in search of something cheaper, exhaustion in the midst of the struggle or prostration and paralyzation at its close would have been inevitable. Instead, during the years of the war itself, outside the lines of military operations and all over the Union since the surrender, the material prosperity of the nation, growth in wealth, and the development of its internal strength,



have been unexampled whether compared with any past period of its own history or with that of any other nation.

I have indulged in this rapid review of the past that I might inquire, in determining the mode of reducing the revenues \$50,000,000, what is this lesson of the past? Shall we in this reduction adhere to the principles of the existing system under which results so amazing have been wrought out, or, departing from the past policy of the nation, adopt new theories and follow new lights be they ever so plausible or dazzling? Shall we abandon experience for experiment? For my own part I may not understand the theories of Bastiat, or be able to fathom the philosophy of John Stuart Mill. The aphorisms of Perry and the figures of Atkinson may confound me. I cannot stop now to settle that question. But this I do know: the country has all this time grown stronger and richer and greater under the existing system. Her people, to the humblest operative in her mills, miner among her ores, or smith at her forges, have all the time been lifting themselves to a higher plane of material, mental, and moral life.

We are told by the philosophers of the new dispensation that to put the laborer of this country upon a perfect equality with the laborer in other countries, who works for less and lives on less, by the imposition of duties upon his products sent into our markets, is to put a tax upon our own consumers. It may be so; but it is not by taxation that a nation thus grows rich and strong and great, in and through the elevation and improvement in all the conditions of the life of the laboring masses, which make up her character and power and rule her destinies. It may be that arithmetic in the hands of a professor can figure out the exact tax which under the existing system the weaver at the loom or the hatter in his shop pays on the coat he wears, the shoes he buys, or the hat he makes; but the intelligent workman will all the while with exultant pride point to the comforts of his cottage, to the school-house, and to the savings bank, for which he exchanged a hovel and a pittance in a foreign land, and will laugh figures and theories out of his sight while he still beckons those left behind living on philosophy to turn their faces from preachers to practical results.

I am constrained by such considerations as these in reducing the revenue to adhere to the policy of the past. I seek to recognize in legislation, which from its nature affects industry, the difference in the conditions under which that industry must exist. If disadvantages lie at the door of labor in this land when competing with the labor of another country, it is the part of neither wisdom nor patriotism to ignore or omit to remove them. If commerce between this and other nations is to be established in disregard of all inequalities and

all advantages possessed by them or possible of attainment by us, it is sure to impoverish and exhaust us.

In the reduction of existing duties just as much as in the imposition of new ones the legislation adopted necessarily and inevitably affects production so far as the duty touches a possible home manufacture. And the plain practical question is, shall that effect be injurious or advantageous? In the readjustment to which we are addressing ourselves duties are to be imposed in one of two ways only—indifferently or with discrimination. Indifference is blind folly, and discrimination alone is worthy of intelligent legislators. The answer, therefore, to a single question would seem to make the path of duty plain, and settle forever all controversy, shall that discrimination be in favor or against the American product? The question is put to American legislators. You cannot escape discrimination, a choice between two; the one is the home product, the other is the foreign. As between these two, will you discriminate in favor or against the products of your own country?

Remember, that where the product originates, there also is the producer; that where is the manufacture, there too are the hands that fashion it; there too is the capital necessary for production; there too are built the homes of the artisans, are supplied their tables with daily food, their houses with daily comforts, their children with schools, their towns with the artificers of all that the varied and diversified wants of civilized life constantly demand. This makes a town, and towns make a State. Where shall this town rise, on this or the other side, on our own soil or in a foreign land? You may have this town where you will—by the side of Lowell, at Manchester on the James, by St. Anthony's falls, or Moline on the Mississippi. It may be planted by some waterfall in the now wilderness of the far West. You can choose its location, or let it be built on the other side of the water, and all its advantages and wealth of material and men be lost to us forever. It is for you to determine. Take two mills, the one in Manchester or Glasgow, the other in Paterson or Lawrence. Now, the necessities of the Government require the imposition of a given duty, and that must be imposed either upon the raw material imported to supply the one at Patterson, or the manufactured article produced by the one at Manchester. That discrimination, which no legislator can avoid, will compel us to determine between the two, and he who can hesitate when the choice between our own and foreign producers is open to him is sick of an incurable disease.

Now, sir, let the ultimate adjustment of these necessary duties be equalization. Let no more duties be imposed than the exigencies of the Government demand, but let those duties be



so adjusted between manufactured articles and raw material as to equalize the conditions of production in our own country with those of foreign nations, and the highest possible good, the true end of legislation, is attained. Thus will the necessities of the Government be met and no more, and at the same time the material prosperity of the nation assured.

What those inequalities between production here and in other nations are requires careful study. They vary greatly in different pursuits, and perfect equalization is most difficult of attainment. Such as can be remedied consist generally in the difference of cost in the raw material to which labor is applied, difference in the wages paid for that labor, difference in the cost of the capital necessary to carry on the business, and in the local expenses and taxes that the producer encounters in the progress of his work. These can be approximately ascertained.

The difference in the rate of interest on business capital between Great Britain and the United States is the difference between four per cent. and seven per cent. National securities are in the one case three per cent., in the other six; so it results that every dollar invested in production here costs nearly as much as two there.

The wages of labor are more difficult of ascertainment. They vary in different employments, at different times, and in different countries. They are on a general rise throughout Europe at the present time, attributable more than anything else to the superior inducements in compensation, in comforts of life, in opportunities and possibilities which are constantly tempting to this country by the hundreds of thousands annually the laborers of other nations, depleting their workshops and supplying ours.

The census returns are full of instruction on this point. The number of skilled artisans who in the last ten years have turned their faces from foreign workshops in search of employment among the skilled industries of this country is more than treble, nearly quadruple the number in the preceding decade. Thirty-two thousand skilled workmen reached our shores last year; and in a constantly increasing aggregate of immigration there has been an actual falling off from Ireland and non-manufacturing States, and a corresponding increase from those nations more devoted to the production of fabrics for the markets of the world.

I take an extract from a book published in London in 1870, called "Social Politics in Great Britain and Ireland," found among the many interesting facts collected by my distinguished colleague on the committee, [Mr. KELLEY,] in the book published by him. This extract illustrates both the strong current of immigration to this country and its causes,

and at the same time the character of those who are of late years turning to better their fortunes here. It is as follows:

"There are now above seventy thousand souls in the east end of London who must emigrate speedily or die. They are being shipped off as fast as charity and Government can transport them to North America. Above twenty-five thousand of these are workmen more or less skilled in engineer and ship-building occupations. These are not shepherds, nor are they plowmen, nor will they ever be to any great extent one or the other. They are mechanics, and will be so go where they may. In the vast hives of industry in Lancashire there are a greater number who must emigrate or die. These are getting off as fast as they possibly can to Massachusetts to find full occupation in cotton. Not one is either pastoral or agricultural, and few are likely ever to be either."

This was as late as 1870.

Mr. Commissioner Wells compares the wages paid in the United States in 1867 in sixteen different occupations with those paid in Great Britain of like occupations during 1866, showing an average increase in them all of more than fifty-five per cent. The Bureau of Statistics in 1870 furnishes a later and still more striking table of comparisons between the wages paid in the United States, Great Britain, Prussia, Saxony, Switzerland, and Belgium, in fifty-one different employments; and I have here the actual pay-roll, for two weeks, of two different manufacturing establishments engaged in precisely the same kind of business—the manufacture of spool-thread, and of equal production—both owned by the same parties, but one is situated in Scotland and the other in New Jersey. This pay-roll was made out within six weeks of the present time, and is in the handwriting of one of the owners themselves. It is an industry in which seventy-five per cent. of all the cost is labor, and on which it is proposed by the present bill to reduce the duty twenty per cent. I will read this pay-roll, showing prices paid in Newark, New Jersey, compared with those paid in Scotland:

	<i>Wages paid at Newark, New Jersey, for two weeks.</i>	<i>Wages paid in Scotland for two weeks.</i>
Foreman cope-winders .....	\$23 00	\$11 00
Cope-winders, (women).....	16 00	5 50
Foreman on twistors.....	40 00	15 00
Overseers.....	28 00	9 00
Twisters, (girls).....	13 00	4 00
Rulers, (girls).....	16 00	5 50
Hand spoolers, (girls).....	16 00	5 50
Machine spoolers.....	16 00	5 50
Ticketers .....	16 00	5 50
Dyers.....	30 00	13 00
Bleachers, (men).....	28 00	5 50*
Spool-turners.....	36 00	14 00
Machinists.....	35 00	14 00
Carpenters.....	40 00	14 00
Total .....	<u>\$358 00</u>	<u>\$127 00</u>

\* Women.



It will be seen that this total shows a difference of three to one. To all this difference is to be added the difference in local expenses and taxation. The effects of the depreciated character of our currency are felt in every branch of industry and in every department of expenditure. The cost of living, cost of clothing, cost of every necessary and of every luxury is increased by it. Even the articles which we import, measured by the standard of gold on the other side, brought here cost us just as much more as the paper in which we pay for them falls below the universal standard of values. Local taxation incident upon the expenses of the war and from other causes in this country far exceeds taxation in any other. It amounted the last year to \$281,180,312, or \$7 29 to every man, woman, and child in the United States.

All these differences in the cost of production the manufacturer on this side of the water encounters; and it is the blindest folly to open our markets to producers thus unequally matched. The consequences certain to follow are as apparent as the plainest laws of trade. The production must be reduced in cost here or the market abandoned to the cheaper producer of foreign fabrics. A reduction of wages is inevitable in every attempt to reduce the cost of production here to the standard abroad, and the plain proposition presents itself: will you thus open our market to the foreign producer and reduce the compensation of the laborer at home?

Where it is possible of attainment, is any duty plainer than that legislation shall be so shaped that whatever of labor is to be performed for this country shall be performed by the laborers of the country? Are we to enter upon a new policy, the first and inevitable result of which will be the alternative of dependence upon foreign countries for production, or a reduction to their level of compensation for the labor bestowed upon production here? Shall we close our mills and shops and forges, and turn adrift the thousands there employed, and become a nation of consumers of other nations' products; or shall we put the thousand busy fingers of industry here upon the same footing, in compensation, in fare, in home comforts, and future prospects, with those that crowd every avenue to toil in the Old World, and clutch at the pittance there doled out to them?

There is no escape from one or the other of these consequences, either of which would be humiliation and poverty. Equalization is inevitable. A free, unobstructed commerce between nations devoted to commercial pursuits will ultimately as surely bring all conditions of competition to a common level as will a current established between two bodies of water bring both to one and the same common point. The lowest will not more surely drain

the highest in the one case than in the other. Remove all obstacles in Niagara river and Lake Erie will empty itself into Ontario. The only condition of continued commerce between the two is to lock up or lock down the great natural inequality between them so long as it shall remain.

I have already shown that the superiority in all the recompenses of labor in this country is emptying the workshops of England, Belgium, and Germany of their most skilled workmen.

What has been the effect? To stop this exodus greater compensation, higher rewards, and stronger inducements to remain at home are being held out by employers there every day. Knowledge of the better treatment and greater opportunities as well as greater power of wage labor in this country is breeding discontent in the breast of its kin abroad. All this forces an increase of wages abroad, and consequently increases the cost of production there. Thus equalization is attained by locking up instead of locking down. The influence of that adherence to our own system which is securing to the laborers of this country the labor of the country, is being felt in the amelioration of the condition of labor in all nations which are to-day seeking to compete with us in our own markets. It is that law of equalization which forces itself upon all commerce. And it is our persistency that gives us a victory which would otherwise be theirs.

I turn now briefly from the consideration of these results upon production and the producer to an examination of the effect upon the consumer. We are told that such a duty upon articles which can be manufactured in this country as shall equalize the conditions of their production here with those of the countries from which they come to compete in our markets is so much a tax upon the consumer. This is borne out neither by reason nor experience. The question with the statesman and legislator is not whether in a given instance and at any particular time that duty is not found added to cost, but whether the tendency of such legislation and the laws which govern supply and demand work out such a result as the ultimate effect of the imposition of the equalizing duty.

I suppose it will not be denied that competition controls prices in every market. It is likewise true that equality is essential to competition. It cannot long live on any other terms. If the home producer is not put on an equal footing with the foreign producer he cannot compete with him, and is ultimately sure to be driven from the market. If the home producer drives his foreign competitor from the market, as he surely will if the compensatory duty rises above equalization and becomes what is denominated protective, then he invites home competition, and is held at



once to the line of a fair remunerative profit. For in this land where freedom of pursuit is open to every one, and capital and labor are eager for employment, no calling can yield more than a fair remunerative return without instantly tempting into its paths a crowding competition that will inevitably by over-supply reduce the cost to the consumer. It can never be otherwise so long as the universal man is a searcher for gain.

It is charged against this policy that its purpose is to stimulate home production. I do not know how that can be done without at the same time stimulating home competition. And the law of competition is the reduction of cost to the consumer.

The unbroken testimony of experience corroborates this statement. There is no staple article of home manufacture which has established itself on a sure foundation under that care of its own Government which secures for it fair play and equality of competition in our own market, which has not steadily diminished in cost to the consumer. I do not mean to say that that tendency to reduction has been always strong enough to counteract the opposite effect of outside and independent causes. Thus the inflation of the currency has been too powerful to be counteracted by the laws of competition, the fruits of invention stimulated by the opportunity this legislation secures, and the confidence in long reaches which stability inspires. So, too, local taxes and outlays, unusual casualties and disturbances in the currents of trade may temporarily work a like result. But in the long run a permanent policy, securing the home market, concentrates energy and enterprise, invites capital, multiplies production through invention, tempts competition till prices reach the lowest possible level of remunerative production. No better illustration of this law can be found than in the manufacture of nails, an article of prime necessity and of universal consumption. At the beginning of this century they cost about twenty-five cents a pound, and were wrought out, each single nail, by hand at a forge. The contrast in the condition of the manufacture then, and as we see it now, is best told in an extract from a speech of Fisher Ames in the discussions of the first tariff bill in 1789—only two days after the organization of the Government. He said he—

“Thought this a useful and accommodating manufacture, which yielded a clear gain of all it sold for except the cost of the material. The labor employed in it was such as, if not thus employed, would in many instances be thrown away. It had become usual for the country people to erect small forges in their chimney-corners, and in the winter evenings, when little other work could be done, great quantities of nails were made even by children. These people took the rod iron of the merchant and returned him nails, and in consequence of this easy mode of barter the manufacture was prodigiously great.”

Under the policy then adopted, which secured

to the laborer of this country the right to perform this kind of labor for the country, this manufacture has gone on in improvement and consequent yearly reduction in price, till now, by the most wonderful automatic machinery, iron is transformed into nails by thousands of instruments more rapidly at each than one can count, and at a cost of scarce a fraction beyond that of the iron itself. And now nails flow into use in every department of industry. The inventions through which this marvel is attained are just as much the result of the stimulant the home market created as any other, and born of them is the wonderful mechanism which carries this manufacture one step further and produces the wood-screw in all its varieties of form and size.

In all this no account is taken of the effect of home production for a home market upon the ability of a nation to consume those products. Home production and consumption combined are the tests of national wealth, and the reflex influence of each upon the other is a fixed law of national growth. The more a nation produces for its own markets the more it will be able to consume. It is otherwise if it produces only for foreign markets and strives for that end to cheapen the cost of production till labor is starved and pinched and impoverished, thereby disabling consumption, as in the case of England to-day. Turn from that picture to the amazing exhibition of the statistics of increase of production in this country, which my colleague on the committee from New York [Mr. E. H. ROBERTS] read to the House from the census a day or two since. That increase on manufactures alone was, in 1870, \$4,302,452,616 against \$1,685,861,676 in 1860; an increase of one hundred and twenty-eight per cent.

Whose heart did not swell with exultant pride at this proof of the development and growth of this country? Let my other colleague upon the committee, from New York city, [Mr. JAMES BROOKS,] no longer sigh that he did not see boxes of American shoes or shovels floating down some hard-named river in Japan or China, never heard of before, when he can regale his sight with the crowded marts and thoroughfares and storehouses of our own land, to its remotest limits, bursting with the very fatness of increased home production.

Mr. Chairman, if I have dwelt too long upon these reasons for adherence to the policy which has produced these results, and paid too little attention to the arguments of my distinguished colleagues upon the committee who urge an abandonment of that policy, and with it our own markets to foreign producers, it has not been that I have failed to appreciate their ability or to acknowledge their sincerity. Although I have been a faithful student both in the committee-room and on this floor of all they have uttered, I confess that they bewilder me. They beckon me different and opposite ways



at the same time. No man ever yet attempted with success to travel in opposite directions at the same time, but when a third turns up before his bewildered eyes ordinary capacity fails.

The gentleman from Indiana, [Mr. KERR,] from Illinois, [Mr. BURCHARD,] and from Missouri, [Mr. FINKELNBURG,] all members of the committee, have at different times heretofore and during this debate attacked the existing system of tariff duties. The gentleman from Indiana [Mr. KERR] declares their purpose and effect to be the establishment of "monopolies," "odious, hateful monopolies," with exclusive privileges secured to them by law from which others were shut out. In a speech delivered here not long since under the the hour rule, he pronounced them "monopolies" twenty-one times by actual count. Sometimes they were "hateful," "bloated," "corrupt," but always "monopolies," against which he raised his "solemn voice," besides entering his "solemn protest." Yesterday they were "plunderers and robbers."

The gentleman from Illinois, [Mr. BURCHARD,] on the contrary, says that the aim of the system is just the opposite; that it seeks to divert capital into these pursuits from others, and forces labor from other employments into these, and even offers bounties to both capital and men to leave other pursuits and engage in these. Three hundred thousand men, he says, are under it pensioned more than all the pensioners of the war, by bounties and high wages, to induce them to leave other employments for these. Then comes the gentleman from Missouri, [Mr. FINKELNBURG,] right in between these gentlemen, and in a speech lately delivered on the "relations of tariffs to wages" he insists that these men

who go into what they call the protected employments not only do not get any bounty, but do not get even decent wages. He says that they are ground down in abject poverty, and are growing poorer and ragged every day. And he read reports from my own State to show the misery and distress of the very operatives who in the eyes of the gentleman from Illinois [Mr. BURCHARD] were bounty-paid pensioners, till, as the gentleman informed us, his heart was "sick."

Now, I might well leave these three colleagues on the committee pointing their guns at each other and abide patiently the result—for no triangular duel between skillful and trained marksmen like these ever failed of a success—were it not that all of them are mistaken, and neither has either sound argument or authentic information to support his position.

That cannot be a "monopoly" which is open to every man, woman, and child in the land to participate in all its privileges and profits. There is no production except such as patent laws make a monopoly because the property of the man who invented it, to which anybody is not perfectly free to apply his capital or his labor, and from which nothing but considerations of personal advantage will ever deter him.

Why, sir, look at the growth within the last ten years of that very manufacture toward which the intensity of the language and hostile action of the gentleman from Indiana [Mr. KERR] seems especially directed, the woolen manufacture. I have a table here from that great confessional of the nation, the census, which shows for 1860 and 1870, arranged by States, all the woolen mills in the country and their power by sets of cards, the unit of power in that production:

States.	1870.		1860.		
	No. of establishments.	No. of sets of cards.	No. of establishments producing woolen fabrics.	No. of sets of cards.	No. of establishments carding wool and dressing cloth only.
<b>Eastern States:</b>					
Maine .....	107	331	26	80	37
New Hampshire.....	77	505	51	146	17
Vermont .....	65	175	46	99	5
Massachusetts.....	183	1,367	134	821	5
Rhode Island.....	64	469	57	253	0
Connecticut.....	109	660	84	265	0
Total .....	605	3,507	398	1,604	64
<b>Middle States:</b>					
New York.....	248	834	140	324	55
New Jersey.....	29	81	35	61	0
Pennsylvania .....	471	1,360	270	488	39
Delaware .....	11	30	4	8	2
Maryland.....	30	59	27	44	3
Total .....	789	2,364	476	920	99



TABLE—Continued.

States.	1870.		1860.		
	No. of estab- lishments.	No. of sets of cards.	No. of estab- lishments producing woolen fab- rics.	No. of sets of cards.	No. of estab- lishments carding wool and dressing cloth only.
Western States :					
Ohio.....	216	357	115	173	48
Indiana.....	175	346	79	112	41
Illinois.....	109	254	21	37	29
Michigan.....	54	116	16	14	15
Wisconsin.....	64	131	15	19	11
Iowa.....	85	196	12	13	16
Missouri.....	156	258	11	15	86
Minnesota.....	10	19	1	0	0
Kentucky.....	32	51	37	83	81
Kansas.....	9	24	0	0	0
Total.....	910	1,752	307	466	327
Southern States :					
Virginia.....	67	109	45	50	63
West Virginia.....	72	113	0	0	0
North Carolina.....	48	70	7	23	21
South Carolina.....	15	25	1	10	9
Georgia.....	44	68	11	30	19
Florida.....	1	1	0	0	0
Alabama.....	14	24	6	14	10
Arkansas.....	13	17	0	0	11
Mississippi.....	8	13	4	13	6
Louisiana.....	2	12	1	4	1
Texas.....	20	29	2	4	8
Tennessee.....	148	176	1	1	69
Total.....	452	657	78	149	217
Pacific States :					
California.....	6	52	1	6	0
Oregon.....	5	16	1	4	1
Total.....	11	68	2	10	1
Territories :					
New Mexico.....	1	1	0	0	0
Utah.....	15	19	0	0	3
Total.....	16	20	0	0	3
Total United States.....	2,783	8,368	1,261	3,209	711

From this it appears that this "hateful monopoly" had in this country, in 1860, 1,261 mills with 3,209 sets of cards; and in 1870, 2,783 mills, with 8,368 cards, and that while in 1860 his own rich and powerful Northwest had only 307 of these establishments, with a power of only 466 cards, there are now there 910 mills with a power of production measured by 1,752 sets of cards. Thus vanish before the test of facts all his charges that in this free land anybody can secure a "monopoly" of any kind of productive industry.

The gentleman from Illinois [Mr. BURCHARD] is equally mistaken in his bounty theory, whether he applies it to the producer or the operative. In the first place, if it were true, does he suppose that there is police force

enough in the country to hold back the rush of capitalists and workmen who would be crowding in to share these bounties? You cannot strew gold along any pathway without finding the whole human race turning its footsteps thitherward. Nor do facts, more than the laws of human action, bear out any statement of extraordinary profits, either to the producer or the operative. There may be instances, as there are in every calling in life, where instinct and energy and frugality, and it may be chance, have been rewarded with fortune. But the rule covering men by classes and reaching over long years is, in these pursuits as in all others, that the failures far exceed the successes. And nothing can be established more clearly from returns and



official data than the fact that for the last thirty years, including all the inflations and chance opportunities of the war, capital in this field has not made six per cent.

I now turn briefly to the charge of the gentleman from Missouri, [Mr. FINKELNBURG,] that tariffs grind down the wage laborer in poverty and misery, while the producer bloats in his gains. I do not complain of the temper of the gentleman in his treatment of this subject. I only regret that he did not get his information through his eyes instead of his ears. Nor will I raise an issue at this time with the labor commission of Massachusetts, which has furnished him his data. I hail every effort of that commission to elevate the condition of labor in Massachusetts; but the instances they have dragged to light no more prove the general condition of the operative than the marching into open court of a criminal for trial proves the general prevalence of crime in any community. They prove the contrary, that society will not tolerate their longer continuance.

But, sir, whoever at home or here represents the operative as ground down in poverty and want by his bloated employer is mistaken, and he has but to open his eyes and he will see. I have lived all my days among these operatives. Some of my colleagues and others upon this floor have been of them, and have more right than I have to speak for them. The honorable distinction to which these men have risen from their ranks is the pride and boast of the operative as he points to his opportunities and his ambition in the battle of life. I would not like to go home among these men if I failed to vindicate them from the foul aspersions which misinformation casts upon them. There is no class of men on the face of the globe, who, as a class, are more frugal, more moral, more intelligent, or make better citizens. As a class they take care of their earnings, secure homes of their own, make monthly deposits in the savings banks, build school-houses and churches, and, better than all, build character and influence for themselves, to which the common judgment of the community accords respect and points with pride. We have in Massachusetts savings banks established to gather in and invest their earnings for them. No one person can deposit more than \$1,000 in any one of them. There are one hundred and sixty of them in the Commonwealth, and there are deposited in them to-day \$163,535,943 by 560,890 different depositors out of 1,443,156 inhabitants in the whole State, one in every three. Recent investigations demonstrate that more than seventy-five per cent. of all this sum is the savings of wage labor. I need say no more in vindication of the Massachusetts operative.

Equally erroneous was the inference of the gentleman from the table of dividends of

certain selected corporations furnished him from the same source. I have a copy of a letter addressed to the gentleman from Missouri by one of the most reliable men in my State, Mr. R. S. Fay, himself an officer in many of these very corporations, which wholly dissipates all his conclusions. I have his permission to annex his letter to my remarks.\*

\* WASHINGTON, March 28, 1872.

SIR: In a speech in the House on the 23d, you quoted the profits of certain woolen and cotton-mills in Massachusetts as arguments in favor of a reduction of tariff. Feeling sure that you desire to make up your mind upon a correct understanding of facts, I venture to address you in explanation of some of the figures you quote. I will confine myself to two or three instances where I am in a position to speak from authority. The Middlesex mills, of which I am treasurer, were started in 1815 by Mr. Goulding, who lost his entire investment in about five years. The property was then bought by Mr. Hard, who became bankrupt in 1828. Mr. Hard's assignees, by way of disposing of their property, made up a corporation called the Middlesex Company, with a capital of half a million, which was afterward increased to a million. The business was fairly remunerative until the tariff of 1846 came into operation, but after that the profits were small and uncertain, until in 1857 the company failed. In 1858 the corporation was reorganized, and \$300,000 of new capital was paid in, but the value of the property had so diminished that even with this increase of capital the stock was considered worth only \$750,000, and was so established. You will see, therefore, that the average dividends of twenty-two and a half per cent., cited by you as earned upon a capital of \$750,000, gave but half that return upon the amount invested since the beginning, and that in a decade in which were included the extraordinary profits of the war with its great rise in prices and inflation. The profits of the last four years have been thirteen per cent. per annum on the capital of \$750,000, or only about eight per cent. to an original holder of the stock.

On the other hand, our pay-roll in 1858-59, 1860-61, was about eighteen thousand dollars per month. At present it is \$26,000 for the same number of hands. The average wages of able-bodied men were then ninety-five cents a day; they are now \$1 37. Are we getting all the profit? Is not the interest of the laborer identical with that of the manufacturer; and is it true kindness to the former to excite a feeling of antagonism? Owing chiefly to the enormous advance in the price of wool we are this season running at a loss, and would gladly close our mills were it not for our unwillingness to throw a thousand hands out of employment.

Another of the mills cited by you is the Chicopee Company, of which I am a director. The Chicopee Company was chartered with a capital of \$700,000. Under the tariff of 1846 its profits dwindled to nothing; in 1857 it failed, and was sold to a new set of stockholders for \$220,000. Two hundred thousand dollars new money was put in, and during the war they made a great deal of money on heavy shirtings and cotton flannels used for Army clothing. With these profits they increased their machinery, and are now prosperous and in good order. But their average dividends, quoted by you as twenty-six per cent. on \$420,000, should be stated as twelve per cent. on \$900,000 to give a correct idea of their business.

The Salisbury mills failed in 1856, (before the crisis,) sinking their whole capital of \$1,000,000, and \$1,000,000 of new money was put in to set them going again. So their average dividend for the last ten years must be divided by two and reduced from twenty-two per cent. to eleven per cent. to represent their business. For three years past they have not divided quite eight per cent. on their investment.

I am not a believer in high protective duties, but



But I have said all that space will justify upon the inordinate gains of the producer.

I ask a moment's further indulgence while I state my objections to particular features of this bill, and the amendments I hope the House will adopt and make it what the country demands, a safe repeal of duties and taxes. It is not to the amount of reduction that I object, for I would make it more by \$15,000,000, but it is to the special and unwise discriminating application of that reduction. Out of the \$18,000,000 of reduction in duties recommended, nearly one third of them all is taken off from wools and woollens alone, while of all cotton fabrics the duties on brown printing cloths and their prints alone are reduced twenty per cent. I have already alluded to a like reduction on spool-thread. The consequence of such partial and selected reductions, if they could be borne under any circumstances when all other productions were suffering like reduction, is to turn the whole burden of increased importation, sure to follow this legislation, upon these particular industries. This is to happen, too, when, as never before, the telegraph makes galvanic connections of the nerves of trade all over the world, and by means of steamships, the Suez canal, Pacific commerce, and transcontinental railroads, importations can be multiplied fourfold in the same time required in the last generation. To thus disturb the relations of one industry to all others is to fill capital invested in it with distrust, and it seeks investment elsewhere; is to fill labor engaged in it with alarm, and it seeks employment elsewhere; and, finally, compels the industry itself to encounter new difficulties when the scale of all expenditure is graduated by general rates of duties it does not itself enjoy.

while our raw material, wool, the iron and steel that make our machinery, the coal we burn for heat and power, our dyes and drugs, and every material and element that enter into the expense of manufacture, are charged with duties, it is surely but fair that woollen goods should be equally protected. Moreover, were I a free-trader I should be sorry to carry my point by arguments drawn from fallacious data, and so I am sure would you.

I am, respectfully, yours,

R. S. FAY.

I reopen my letter to add a word upon the price at which some of the stocks referred to have sold. It is true the Middlesex company's shares, representing \$175 paid in, sold at one time for nearly four hundred dollars, and the Salisbury shares, on which \$200 had been paid in sold for \$360; but this was at a time when gold was at 200 and upward, so that the premium was not excessive in one case, and the Salisbury stock was at a discount. At present these stocks are worth: Middlesex company, \$175 per share paid in; market value, \$160; Salisbury mills, \$200 paid in; market value, \$155.

I believe I know of but one woollen mill in New England whose stock stands at a premium on the amount paid in upon it. That mill was built in 1861, and reserved its war profits to double its machinery, making only very moderate dividends.

Hon. G. A. FINKELNBURG, *M. C.*

Now, sir, since the repeal of the duty on tea and coffee has reduced already \$15,893,846, it becomes all the more necessary to cast about and redistribute the remaining reduction. There can hardly be less than \$20,000,000 taken from internal revenue. I would take more, but that sum, or nearly that sum, with a free list of not less than \$3,500,000, all agree must be adopted. These, with the duty on tea and coffee, make \$39,393,846, and leave less than \$11,000,000 of \$50,000,000—the utmost limit of reduction admitted possible by any one who has the slightest responsibility in the administration of affairs for the financial credit of the nation. Instead of fastening two thirds of all this reduction upon two industries, as this bill proposes, I intend to move its distribution over all manufactures by a general ten per cent. reduction, substantially as provided in the Senate bill. For this amendment I hope to have the support of the House. With its adoption and such other amendments as will suggest themselves in the progress of the bill, I shall support and vote for it.

The gentleman from Pennsylvania [Mr. KELLEY] has indicated his purpose in the outset, before the bill is considered, to move to strike out its enacting clause, that he may thereby reach his own substitute. But there is nothing in his substitute which cannot be grafted upon this bill by amendment if the majority desire it. I shall ask the House, therefore, to stand by the form of this bill and apply to it by amendment every correction that can possibly be desired by that majority in any way. Any other course will involve all in confusion through which no just legislation can be attained.

In conclusion, Mr. Chairman, let me say that the field of study upon which one enters as he takes his seat in the room of the Committee of Ways and Means is the broadest and grandest that opens to the statesman. It comprehends the entire material prosperity of the greatest and most wonderful of the nations of the earth. It touches the forces which move the growth, which push the development, and which influence the direction of all material progress and strength among such a people. Although my service there has been much briefer than that of the gentleman from New York, [Mr. BROOKS,] yet, unlike him, I have grown more and more to admire and cling to that system of Americanizing all growth and all development and all attainment in this land, which began in the First Congress, under Washington, and which finds its greatest achievement in the courage and ability with which it has enabled this Administration to bear the greatest financial burdens and solve the most difficult financial problems ever visited by political trouble and organic commotion upon a great people.











